

Instructions for completing the
PROOF OF FINANCIAL RESPONSIBILITY FORM (LC-95)

GENERAL INFORMATION

Effective April 1, 1988, retail liquor licensees are required to file and maintain Proof of Financial Responsibility with the Michigan Liquor Control Commission (MLCC). This filing requirement must be met before a new license can be issued or an existing license renewed.

This requirement can be met by: (1) filing this form, or (2) filing a different Proof of Liquor Liability Insurance form which has been approved by the MLCC and is often available through insurance carriers.

1. Licensee Mailing Address:

The mailing address is the address to which all correspondence should be addressed (such as a corporate office). This address may be a different one than the address of the licensed business. The MLCC will enter the Licensee Mailing Address on the forms it issues. This is not required information.

2. License Information:

This is required information. The MLCC will enter the License Number(s), Licensee Name, and Business Address on the forms it issues. A separate form is required for each licensed location.

For those forms not issued by the MLCC, please refer to the liquor license and enter the license number, including the prefix type (such as SDD, SDM, Class C, etc.), licensee name, and the address at this licensed location (including street number and name, city, state, and zip code).

LICENSEES HAVE A CHOICE AS TO HOW THEY MAY FULFILL THE PROOF OF FINANCIAL RESPONSIBILITY REQUIREMENT. BOXES 3-10 OF THE MLCC **PROOF OF FINANCIAL RESPONSIBILITY FORM LC-95** INDICATE THE TYPE OF CHOICES AVAILABLE. ONE BOX MUST BE CHECKED. PLEASE REFER TO THESE DETAILED INSTRUCTIONS REGARDING SELECTIONS AND OTHER REQUIRED DOCUMENTS:

3. Liquor Liability Insurance:

Liquor liability insurance policies of at least \$50,000 issued by carriers accepted by the MLCC will meet the proof of financial responsibility requirement. If MLCC form LC-95 is used, the authorized agent must enter the information requested and sign the form at the bottom. This signature certifies to the MLCC that the insurance policy is for an amount of at least \$50,000 and that it complies with the provisions of MCL 436.1801 and Commission rules that apply to proof of financial responsibility.

Do not send a copy of your insurance policy.

If the carrier chosen for liquor liability coverage is a nonadmitted carrier and the carrier has not submitted a specimen policy for Commission review and acceptance, the proof will not be accepted. The Commission requires 30 to 90 days for review and acceptance of a specimen policy. This may include contact with the Office of Financial and Insurance Services concerning the nonadmitted carrier.

4. Constant Value Bond:

A constant value bond provides coverage for each claim and the face amount of the bond is not reduced if payment is made for any claim. If a constant value bond is used as proof of financial responsibility, the bond must be for an amount not less than \$50,000 and must be submitted on the appropriate form supplied by the MLCC. The constant value bond must be written only through an admitted carrier and must be accompanied by a Power of Attorney for the individual signing on behalf of the surety. The constant value bond must be signed by all partners or co-licensees on the license. Licensees having more than one licensed location must file a separate constant value bond and LC-95 for each location.

5. Certificate of Deposit:

If a certificate of deposit is used as proof of financial responsibility, it must have a value of at least \$50,000 and provisions to maintain a balance of this amount at all times. A pledge agreement supplied by the MLCC is also required as a filing document when the certificate of deposit is chosen. The certificate of deposit must provide for the State of Michigan as first claimant and use the federal ID number or social security number of the licensee for tax and interest purposes. It must be issued by a bank, savings bank, savings & loan association, or credit union that is licensed to do business in Michigan.

The certificate of deposit must be maintained for two years after the licensee ceases to operate the licensed business or a new proof of financial responsibility is submitted. The LC-95 form and pledge agreement must be signed by an officer of the financial institution and a safekeeping receipt must also be submitted. The licensee must also sign the pledge agreement.

6. Cash:

If cash is submitted to the Commission as proof of financial responsibility, it will be held by the Commission for two years after the licensee ceases to operate the licensed business or a new proof of financial responsibility is submitted.

7. Stocks or Bonds:

If stocks or bonds are used as proof of financial responsibility, please contact the Insurance Unit of the Licensing Division to obtain the pledge agreement and a copy of the financial responsibility rules which outline the specific types of acceptable securities. (Note: The Assistant Attorney General's office has determined that shares in a mutual fund do not qualify under the definitions of securities in Rule 436.2001.) The pledge agreement and LC-95 must be completed and signed by an officer of the brokerage firm or financial institution where the actual stock certificates are held. The licensee must also sign the pledge agreement. A listing of the stocks or bonds which include the price per share and number of shares is also required as a filing document when stocks or bonds are chosen.

8. Combination of Cash, Stocks or Bonds:

A combination of cash, stocks or bonds is also acceptable. Refer to the sections on Cash or Stocks and Bonds (above) for detailed information.

9. Irrevocable Trust: *If a trust is used as proof of financial responsibility it must:*

- Be irrevocable and have a documented principal value of at least \$50,000 and provisions to maintain this amount at all times and must list the trust corpus.
- List the State of Michigan as first claimant and beneficiary for the first \$50,000 of the trust amount.
- Contain a provision that no terms of the trust can be changed or withdrawals made without the consent of the MLCC.
- Be administered by a financial institution authorized to operate in Michigan. Attach a complete copy of the Irrevocable Trust to this Proof of Financial Responsibility.
- Remain in effect for two years after the licensee ceases to operate the licensed business or a new Proof of Financial Responsibility is submitted.
- LC-95 must be signed by an officer of the financial institution which will administer the trust.

10. Irrevocable Letter of Credit:

If an irrevocable letter of credit (not line of credit) is used as proof of financial responsibility, it must have a value of at least \$50,000 and provisions to maintain a balance of this amount at all times. The acceptable form for irrevocable letter of credit is available from the Insurance Unit of the Licensing Division and is required as a filing document when the letter of credit is chosen. The letter of credit must provide for the State of Michigan as first claimant and beneficiary and must be issued by a bank, savings bank, savings and loan association, or credit union which is licensed to do business in Michigan. The value of the letter of credit must be maintained for two years after the license ceases to operate the licensed business or a new proof of financial responsibility is submitted. The LC-95 form must be completed and signed by an officer of the financial institution issuing the letter of credit and the original letter of credit with completed LC-95 form must be submitted to this office.

11. Date: Enter the date the form was prepared.

12. Phone No.: Enter the daytime phone number of the authorized insurance agent or bank representative.

13/14. Authorized Agent/Bank Representative: *Insurance agent or insurance representative or bank representative:*

Please read and understand the requirements for providing proof of financial responsibility. Sign in box 13 and enter your printed name and title in box 14.